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PART II

Businessman Fights Back, Sues Soviets for \$320 Million

LINDA DEUTSCH, *Associated Press*

When Raphael Gregorian and his lawyer first talked about suing the Soviet Union for \$320 million, everyone assumed that they were joking.

"You can't realize how many people laughed at us about this case," said the lawyer, Gerald Kroll. "They would say, 'Oh, you're going to sue the Soviet Union. (Chuckle chuckle.) Well, good luck, pal.'"

"But we realized we had a good case," Kroll said, "and the reason people were chuckling is because it hadn't been done before. . . . There's never been a case where a man has been accused of spying and turns around and sues the country that accuses him."

Now, six months after the unusual lawsuit was filed, the laughter has stopped. Gregorian, an American businessman expelled from the Soviet Union after conducting business there for 14 years, has won the opening round in his legal battle, and Kroll says the case will make legal history.

Assets in United States

He hopes to seize enough Soviet assets in the United States to pay for Gregorian's lost business.

U.S. District Judge David Kenyon ruled July 17 that the Soviet Ministry of Foreign Trade and the newspaper Izvestia are not immune under the Foreign Sovereign Immunity Act from lawsuits alleging commercial losses in the United States.

When the Soviets failed to respond, Kroll asked the judge to declare them in default. The next hearing, at which damages will be set, is scheduled for Sept. 23.

For Gregorian, 56, the lawsuit is a continuation of the nightmare that began Nov. 10, 1984, when he received a telex from Moscow telling him he was out of business.

"I was stunned when I got this telex," said Gregorian, whose California International Trade Corp. was one of only 23 American companies accredited to do business in the Soviet Union.

CIT, which sold American medical equipment in the Soviet Union, was doing about \$10 million a year distributing such items as dialysis machines, pacemaker batteries and pollution detection machinery.

"It took me 14 years to build up my business and it took one day to wipe me out," Gregorian says. "Suddenly I'm a non-person, a nothing. I'm anathema in the Soviet Union."

Until then, the genial, mustachioed Gregorian, whose home is in Palo Alto, was a welcome figure in Russian business circles. A naturalized American, he was born in Russia, raised in Iran and educated in Beirut and the United States. He speaks six languages, among them fluent Russian. He holds advanced degrees in Slavic studies as well as mathematics and electronics.

His decision to do business in Russia, he recalls, was the result of a chance encounter with a Soviet trade official in Brussels where Gregorian was selling electronic components in 1968.

Surprised by Use of Russian

"He said the Soviet trade office was approaching American companies to see if they could arrange trade," Gregorian said. "He addressed me in French. When I answered him in perfect Russian he almost collapsed."

The two men became friends, Gregorian recalls, and the official gave him a lucrative order for six chemical research devices, paying \$50,000 in cash.

"No one had ever ordered six units," he recalls. "I said, 'Oh my God, this is good. . . . That was the beginning of it all.'"

He realized then an important principle of international commerce:

"You have to go into places where most people don't want to go if you want to make money," he said.

In late 1970 he quit his job, launched CIT and went to Russia for a visit.

"Russia is a market that develops slowly," he says.

"They have to get to know your face."

It took 10 years of doing business out of hotel rooms before CIT was officially accredited to open an office in Moscow.

"By 1981 we were the largest single non-manufacturing distributor of medical equipment in the Soviet Union," Gregorian said. "We did \$10 million. Both my wife and I were active in the business. I made 69 trips to Russia. She went 30 times. . . . At the end we had a car, an office and five Russian citizens who worked for us."

After the disastrous telex, Gregorian made personal appeals to Soviet officials in the United States, but on Nov. 18, he knew his fate was sealed.

That day the government-controlled Soviet newspaper Izvestia printed an article about Gregorian headlined, "Duplicitous Negotiator: A Story About a U.S. Firm and an Abuse of Trust." It accused Gregorian of attempting to gain intelligence information for the United States while posing as a businessman.

"It took some time for Gregorian's true face—hostile to the Soviet Union—to be seen beneath his false smile," the article said.

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Still Angry About It

Gregorian went to see Kroll and decided he would sue for libel. He still seethes when he discusses the story.

"They have slandered me," he said. "I expect justice, and I expect to be compensated for my business."

Of the spying charges, he says, "I have never been connected in my life with any intelligence organization of any country. . . . Besides, I

don't know any secrets!"

At first, Gregorian couldn't understand the Soviet action. Now, he believes he was a pawn in a game of international one-upmanship.

He says his company, the smallest American firm in Moscow, was targeted for retaliation when U.S. authorities arrested FBI agent Richard W. Miller and two Soviet emigres on espionage charges.

"They believe in reciprocity in everything," he says. "If you slap me on the right cheek, I have to strike you on the right cheek, not the left."

Month After Arrest

Gregorian's telex arrived just one month after the arrest of Miller and Svetlana and Nikolai Ogorodnikov.

"It had to be somebody from California," he says. "It had to be Dr. (Armand) Hammer, Hewlett Packard, Bank of America or Raphael Gregorian. These are the only accredited companies in California."

Kroll suggests an additional motive—to bypass commission payments to Gregorian and deal directly with a company that was selling pacemaker batteries through him. The company, Mine Safety Appliance Co., and its subsidiary Catalyst Research, are named as co-defendants in the suit.

Kroll, who went to Moscow in a futile effort to negotiate on behalf of his client last February, says the Soviets have about \$200,000 worth of medical equipment in their hospitals sold to them by Gregorian but not paid for. Recently, he says, a message was transmitted through the American Embassy that the Soviets might pay the bill if Gregorian's lawsuit was dropped.

"Our answer," Kroll says, "was *nyet*."